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ABSTRACT

This report describes inequities in the current school-funding process for the Auburn Enlarged City School District. Data were analyzed from two studies that compared the Auburn district to 10 other New York districts with similar enrollments or full value. Findings indicate that wide disparities exist among the districts with regard to teacher-student ratios and property taxes. These outcomes were caused by state formulas that produced greater reliance on local property tax as a source of revenue--freezing the operating-aid ceiling per pupil, restricting full-value growth, providing high tax aid to unqualified districts, and waiving the education law. Suggestions are made to start over, establish a commission to examine educational funding, revise the formulas, and implement radical ideas based on the Texas formula, i.e.: (1) collect $5 per thousand of full value at state level, place in an educational trust and redistribute according to formulas; (2) collect $5 per thousand of full value at BOCES level and redistribute according to formulas, Twenty-four exhibits are included. (LMI)

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FAIR SHARE

A Report To

State Senator
James L. Seward

Assembly Minority Leader
Clarence D. Rappleyea

Assembly Deputy Minority Leader
Michael F. Nozzolio

Presented By The
Auburn Enlarged City School District

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President, Board of Education

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- Preface -

This presentation should not be considered as supporting the local property tax to fund education. Indeed, if anything, the report is designed to indicate the gross inequities brought on by the current system.

Although it is probably too late to significantly change the formulas for 1992-1993, it is not too late to address needs for that school year. It is also the appropriate time to begin developing realistic formulas for 1993-1994.

At this time it is generally accepted that the funding of public schools in New York State is at a critical juncture. The fiscal problems of the State have distracted attention away from the inequities in the current formulas. These inequities have been exacerbated by the recent increase in full value in some sections of the State and growth in enrollment in other areas.

When this study was undertaken there were three districts initially compared to Auburn. The comparisons were done on three criteria: **size, full value** (taxable value) and **demographics**. The first consideration was to determine the district closest in enrollment to Auburn. The ranking for Auburn based on size in 1988 was 58th. Great Neck, the 59th largest district, was used for the enrollment comparison. The second comparison was based on a district closest in full value to Auburn. Auburn in 1988 had a full value of almost $526 million. Selected for comparison was Fire Island with less than .1% lower full value. The final comparison was to a district with similar demographics. Middletown was also chosen, since it is a small city with a similar total budget in 1988. Exhibit 1 shows the four districts and the points of comparisons in 1988.

Exhibit 2 emphasizes the degree and the inequities of the current funding process. Looking at 1988, Auburn had 5,435 students to educate with the same tax base as Fire Island, which

had only 43 students. It was obvious, if not just, that Auburn would have a tax rate slightly under $21 per thousand while Fire Island's tax rate was less than $2 per thousand. At the same time Great Neck with virtually the same population as Auburn had a full value of over $3.3 billion compared to Auburn's $526 million. This translates to approximately six times the taxable property. Auburn was, therefore, taxing its citizens at a rate of just under $21 per thousand to maintain a 15:1 teacher-student ratio*. At the same time the Great Neck School District taxed its citizens at slightly over $19 per thousand to maintain a teacher-student ratio of 10:1. Finally, Middletown was taxing its citizens at a of rate $19.30 per thousand ($1.60 lower than Auburn) and was able to maintain a teacher- student ratio of 14 to 1. As shown in the chart, it is obvious that there was a disproportionate level of funding. Looking at the tax rates in September of 1991, the problem was blatant. Auburn was forced to tax its citizens at a per thousand rate 70% higher than Great Neck, 1100% higher than Fire Island, and 32% higher than Middletown.

Fearing criticism that this quick study only showed anomalies, two more comprehensive studies were undertaken. It

*(Note: Teacher-student ratio is not a class size ratio. Teacher-student ratio is developed by taking the total enrollment and dividing it by the total teachers. Physical Education, Art, and Music teachers, along with guidance counselors and librarians, are all included. In all cases the class size ratio would be higher.)

was decided that a standard base year needed to be selected. The selection of 1988 was done based on available data and the fact that this was the year the State stopped increasing the per pupil allotment at $3761.

These comprehensive comparisons were initially made to Auburn. They have since been duplicated for the other eight districts in the Cayuga-Onondaga BOCES. The first comparison was of the 10 districts whose enrollments were closest to Auburn. The second comparison was based on the 10 districts whose full value was closest to Auburn. A third study based on combined wealth ratio was deferred based on lack of available data. When and if a source is found this report will be expanded.

Enrollment Comparison

Enrollment

Auburn undertook a study of the 10 districts with enrollment approximately the same as its own. The study considered five areas: **enrollment, full value, budget, student-teacher ratio** and **tax rate**.

In 1988 Auburn was ranked the 58th largest school district in the State, whereas by 1990, Auburn's rank had increased to

53rd. A base of 10 districts similar in enrollment to Auburn was utilized. The districts which ranked 50 to 59 in 1988 were selected for comparison. Exhibit 3 names the districts and illustrates their student enrollments in the two years of the study. By chance, five of the districts in the study were from upstate and five from downstate (Long Island). All five upstate districts were small cities. All five downstate were central school districts. The first graph, Exhibit 4, illustrates that the 10 districts were very similar in total student enrollment. Exhibit 5 shows that in 1988 the average enrollment of the downstate districts was 5555 while the upstate districts averaged 5575. This is less than four-one hundredths of a percent apart. As Exhibits 4 and 5 both illustrate, from an enrollment basis, the districts were very similar. Other than enrollment, no comparison shows similarity.

Full Value

Exhibit 6 shows how disproportionate the property wealth was in 1988. Ithaca, the district from upstate with the highest full value of the study group, barely exceeded the full value of Hempstead, the poorest district in the downstate study group. North Port and Great Neck (two downstate districts) had four and six times the full value of Auburn, Jamestown, or Troy, respectively. There was nearly as great a discrepancy between the two downstate districts just cited and Corning.

Exhibit 7 shows that by 1990 Hempstead, the district downstate with the lowest full value, had three times the full value of Auburn, Jamestown or Troy. The remaining four downstate districts each had a full value in excess of four times the full value of the mentioned upstate school districts.

Exhibit 8 summarizes the point. While the five districts upstate had a combined full value of slightly under $4 billion, the five downstate districts had just under $16 billion. The total full value per student is expressed in Exhibit 9. On average, the districts downstate had almost four times the full value to tax as their counterparts upstate.

The volume of dollars is sometimes difficult for people to understand. To put this full value comparison in perspective, Exhibit 10 lists the twenty-one school districts in the Auburn area whose <u>combined</u> full value equals Great Neck, Long Island. These twenty-one districts are educating 37,300 students on the same property wealth as Great Neck which is educating 5,300 students.

Budget

A school district's budget cannot be considered in isolation. Utility costs, debt, transportation and enrollment are some of the factors which create the difference. By 1990

North Port was the only district from the study group downstate with an enrollment larger than Auburn's (one student). As shown in Exhibit 11, North Port's budget exceeded Auburn's by 70%. Great Neck, with a lower enrollment, had a budget over twice as large as Auburn's. Hempstead, the poorest district in the downstate group, had a budget that was 33% larger than Auburn's. On average, the districts downstate spent 60% more for education than their counterparts upstate. Exhibit 12 translates this into budget per student. While the upstate districts in the comparison were spending $6,500 per student, the similar sized districts downstate were spending in excess of $11,000 per student.

Teacher-Student Ratios

When examining teacher-student ratios, the downstate districts were significantly lower. Although teacher-student ratio is only one program measure, it is an indication of a school district's ability to finance education. Exhibit 13 shows the teacher-student ratio of the 10 districts. Smaller districts often are required to maintain a lower teacher-student ratio. However, the districts in this comparison all had virtually the same enrollment. The range in teacher-student ratio was from 10:1 to 15:1, with the upstate districts almost always higher then downstate.

Tax Rate

The final comparison of these 10 districts is the tax rate per thousand. The facts based on a per thousand rate are illustrated in Exhibit 14.

In 1988, there were districts with high tax rates upstate and downstate. At the same time, there were districts with lower tax rates upstate and downstate. At that time some of the highest tax rates per thousand were in fact levied in downstate districts. However, by 1990 there was a significant change. Four of the five upstate districts were taxing their citizens at a rate in excess of $17.50 per thousand. Not one of the downstate districts in this study was at this high a level. All five of the downstate districts experienced a decrease in their tax rate per thousand. Some of this decrease was the result of significant increases in the district's full value.

When people have an increase in their personal income a corresponding increase in income taxes is anticipated and inevitable. When property values increase people tend to still want to pay based on the amount paid the year before regardless of any increase in the property's worth.

The districts downstate are able to provide a more teacher intensive program at a significantly lower property tax rate. Obviously, when poorer districts must pay a higher tax rate and

still have a higher teacher-student ratio, the current system of funding is not equitable. The increasing reliance on property tax to finance education burdens poor school districts. Since the State's fiscal problems began most efforts have been devoted to maintaining State Aid rather than focusing on fairly distributing available resources.

Full Value Comparison

The second portion of this report is a study of districts of like full values. The year 1988 was again selected as a base. Exhibit 15 illustrates how similar these districts were in 1988. They were so similar in full value that no discrepancy can be shown in the graph.

Enrollment

Exhibit 16 illustrates the number of students each district was expected to educate on virtually the same tax base. The range was from 43 students on Fire Island to 5435 in Auburn. Even two years later the enrollment had shown little change. (Exhibit 17). Only three districts (Island Park, Auburn and Mt. Pleasant) experienced enrollment growth. Six of the remaining districts had a decrease in enrollment.

Teacher Student Ratios

Two of the three districts who experienced enrollment growth were Mt. Pleasant and Auburn, both small cities. As illustrated in Exhibit 18, the three cities (Auburn, Mt. Pleasant and Canandaigua), all had the highest teacher-student ratios of school districts with comparable full value. Poughkeepsie, the only other city in the study group, was next highest in teacher-student ratio.

Tax Rate

Comparing the impact on local taxpayers, Exhibit 19 shows the tax rate in 1988. The range is dramatic and, with the exception of Auburn, the graph shows some resemblance to the enrollment (Exhibit 16). Obviously, Fire Island with fewer students pays less. The reason Auburn's, Poughkeepsie's and Canandaigua's rates were not twice the others was the combination of a slightly higher teacher-student ratio and state aid.

Districts who did not experience significant full value growth in the late 1980's were forced to raise taxes even as measured as a tax rate per thousand. The 10 districts had virtually identical tax bases in 1988. Just two years later there is no relationship except that Auburn, with the largest

enrollment, had the smallest increase, and Fire Island, with only 43 students, had next to the largest increase.

Exhibit 20 shows the differences in full value growth. To illustrate the significance of the growth in full value of Fire Island in 1988, its full value was the same as Auburn's. Exhibit 21 shows that by 1990 the Fire Island school district's full value had increased so dramatically that it exceeded the combined full value of Auburn, Union Springs and Weedsport school districts.

Exhibit 22 puts it in perspective. Districts who did not experience the luxury of full value growth in the late 1980's were forced to raise property tax rates. Those who were more affluent on a per pupil basis to begin with actually experienced tax rate decreases. Again, as income increases, it is accepted and expected that taxes will also. However, when property value increases, society expects no such relationship. The outcome is inevitable: wealthier districts are experiencing tax decreases per thousand and are still able to provide more educational options than poorer districts.

Exhibit 23 illustrates the change in full value of the school districts which were equal in worth in 1988. There was growth in excess of 60% and 70%. With State aid formulas virtually frozen, monies were not redirected to reflect these

changes in full value.

The effect on tax rate is shown in Exhibit 24. Auburn, the district with the lowest full value increase, was the only district in the study to experience a tax rate increase. The poor are being expected to fund a greater portion of the education program than the wealthy.

It is time to start over. Each time an attempt is made to modify the current formulas money is redirected. The concept should be that education in New York is a priority. As a State, we need to enhance our programs. A new look at how we fund education is essential.

Causes

The report to this point focused on the effects. It is equally important to examine what has occurred at the State level which has caused these outcomes. Exhibit 25 lists four parts of the formulas which were either restricted or frozen, resulting in a greater reliance on local property tax as a source of revenue.

Freeze of Operating Aid Ceiling Per Pupil

The State general operating aid formula has a per pupil

dollar allocation. In 1988, due to the fiscal problems of the State, this amount was frozen at $3,761. Had the amount paid per pupil been allowed to increase, poorer districts would have received a greater share of State aid. Wealthier districts, many of which are save harmless, would have been entitled to receive little or no additional aid.

Restriction On Full Value Growth

A portion of the combined wealth formula is based on property wealth. Natural growth on this portion of the formula was restricted to a maximum of 17% of the average of the two previous years. This has helped districts who have experienced rapid increases in full value. This restriction resulted in districts with a rapid increase in property value to continue to receive State Aid for which they would not have been eligible otherwise. Districts not experiencing growth in full value were significantly impacted by this change since the available dollars had been redirected. It could be argued that the combined wealth ratio is no longer meaningful.

Making High Tax Aid Save Harmless

A portion of State aid was paid to districts who were making a significant local effort. Districts that taxed their property at over $20 per thousand in full value were entitled to

High Tax Aid. The State has made high tax aid Save Harmless. Districts whose tax rate per thousand would no longer qualify to receive High Tax Aid continue to receive this special aid. Now districts that are taxing significantly lower than Auburn continue to receive High Tax Aid.

Waving of Education Law 3602-14(b)

Several years ago the state passed a provision for minimum effort. The law provides for a penalty for districts who are not taxing at a rate of at least $15 per thousand full value. This law has been repeatedly waived. This also redirects State Aid funds to districts with lower tax rates.

Suggestions

Start Over!

A commission should be established with the mission to evaluate and recommend changes in the way we fund education. Their goal should be to reduce the number of formulas and create new formulas which reflect current conditions, flexible enough to address future conditions. This commission should examine the way income is measured in the current formula. Per capita is a far more meaningful measure than total income.

To continue to modify and massage the existing fifty-one State Aid formulas will only result in continued frustration. These formulas, to some extent, have resulted in directing aid to districts based on the desires of special interest groups.

The Combined Wealth Ratio (CWR) should be made meaningful by removing the 17% growth cap. If we are taxing property, its increased value must be reflected. With a meaningful CWR, districts with a ratio of 1.0 or below should receive at least the same level of aid as the previous year. Districts with a CWR .8 or lower should receive an increase in funding from the State.

One radical proposal worthy of debate would be to create educational trusts. One of these trusts would be State-wide, receiving $5 per thousand on full value on all properties in the State. The monies collected would be paid to the local districts according to the new State Aid formulas. A series of BOCES-wide trusts would collect $5 per thousand full value. These monies would be distributed to the local districts based on formulas. This BOCES-wide trust would address the regional cost argument.

To address the problem of 1992-1993, meaningful High Tax Aid needs to be provided. This could be accomplished by temporarily creating a 1992 High Tax Aid bill.

Conclusions

The students of New York State have no choice in where they live. Regardless of location, they are entitled to a comparable educational program. With the wide disparities in teacher-student ratios, this comparability cannot exist.

The taxpayers of New York should feel an equivalent burden for education. It is grossly unfair to be taxing the poorest districts at the highest rates. People living in properties of equivalent worth should be taxed approximately the same. For a Fire Island resident owning a $200,000 home and paying $400 in school taxes, while a property of the same value in Auburn resulting in a tax bill over $4,400, is unfair.

It is no longer time for business as usual at the State level.

B I B L I O G R A P H Y

Nassau-Suffolk School Boards Association, "Boards Eye View," North Bellmore, New York, Vol. XXVIII, No.4, February 1991.

Regan, Edward V., "Financial Data For School Districts for fiscal year ended June 30, 1988," State of New York, Albany, New York.

Regan, Edward V., "Financial Data For School Districts for fiscal year ended June 30, 1990," State of New York, Albany, New York.

State of New York, Education Department, "The State of Learning," Albany, New York, 1991.

FAIR SHARE

EXHIBITS

Initial Comparison 1988

EXHIBIT 1

	Rank	Full Value	Budget
Auburn	58	525,965,000	32,787,000
Great Neck	59		
Fire Island		525,311,600	
Middletown			34,345,000

INITIAL COMPARISON
Beginning of the Problem...

EXHIBIT 2

	Enrollment	Budget 1987-88	Budget 1991-92	Full Value 1988	1988 Taxes Per 1000 full Value	1991-92 Taxes Per 1000 Full Value	Teacher: Student Ratio
Auburn	5,435	32,787,000	37,612,605	525,965,000	20.89	21.73	15
Great Neck	5,401	74,890,000	83,044,000	3,331,572,000	19.05	12.58	10
Fire Island	43	1,346,400	2,805,308	525,311,600	1.97	<1.97	4
Middletown	5,248	34,345,000	46,600,000	585,909,000	19.30	16.40	14

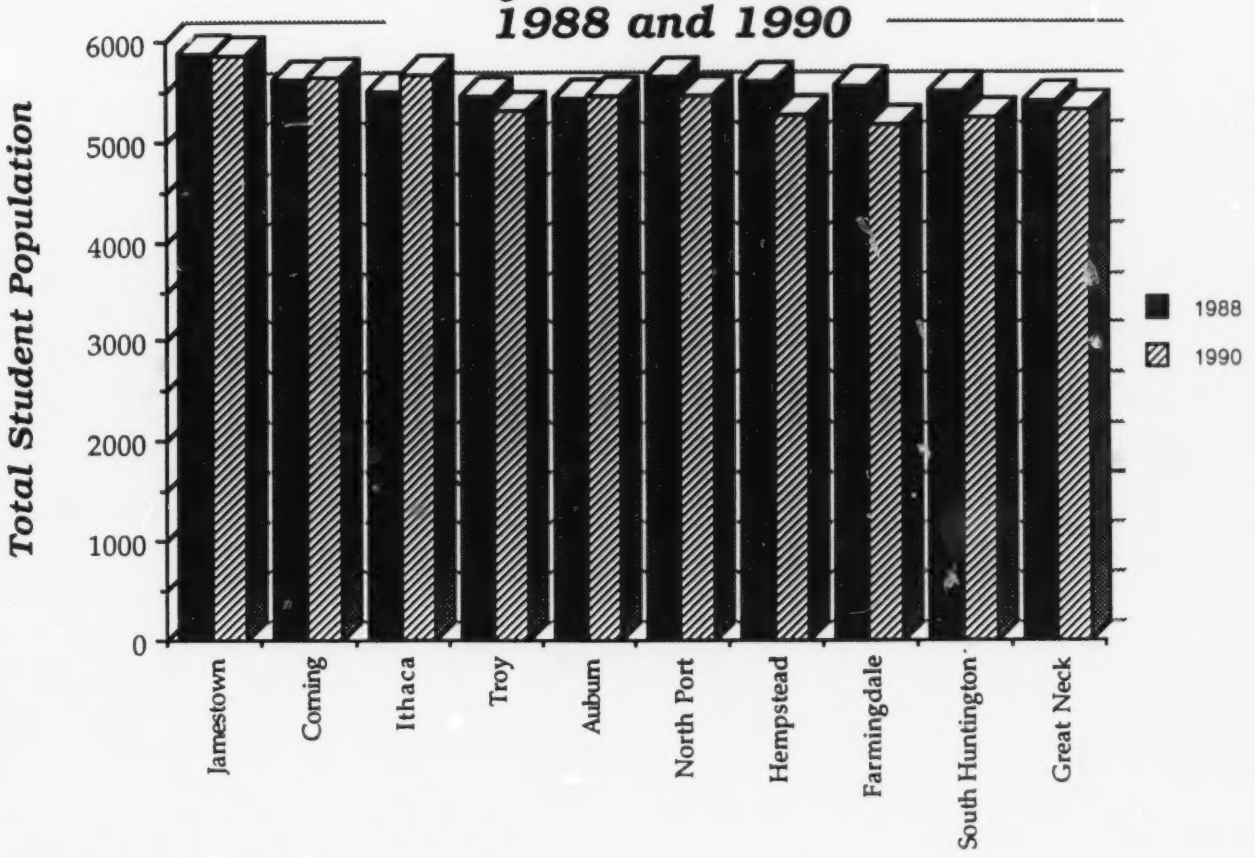
Ten School Districts of Comparable Size to Auburn 1988 and 1990

EXHIBIT 3

1988			1990		
Rank	District	Student Population	Rank	District	Student Population
47			47	Jamestown	5864
48			48	Ithaca	5560
49			49	Corning	5653
50	Jamestown	5882	50		
51	North Port	5644	51		
52	Corning	5612	52	North Port	5448
53	Hempstead	5601	53	Auburn	5447
54	Farmingdale	5540	54		
55	Ithaca	5495	55	Great Neck	5313
56	S. Huntington	5487	56	Troy	5309
57	Troy	5451	57	Hempstead	5250
58	Auburn	5436	58	S. Huntington	5234
59	Great Neck	5401	59		
60			60		
61			61		
62			62	Farmingdale	5163

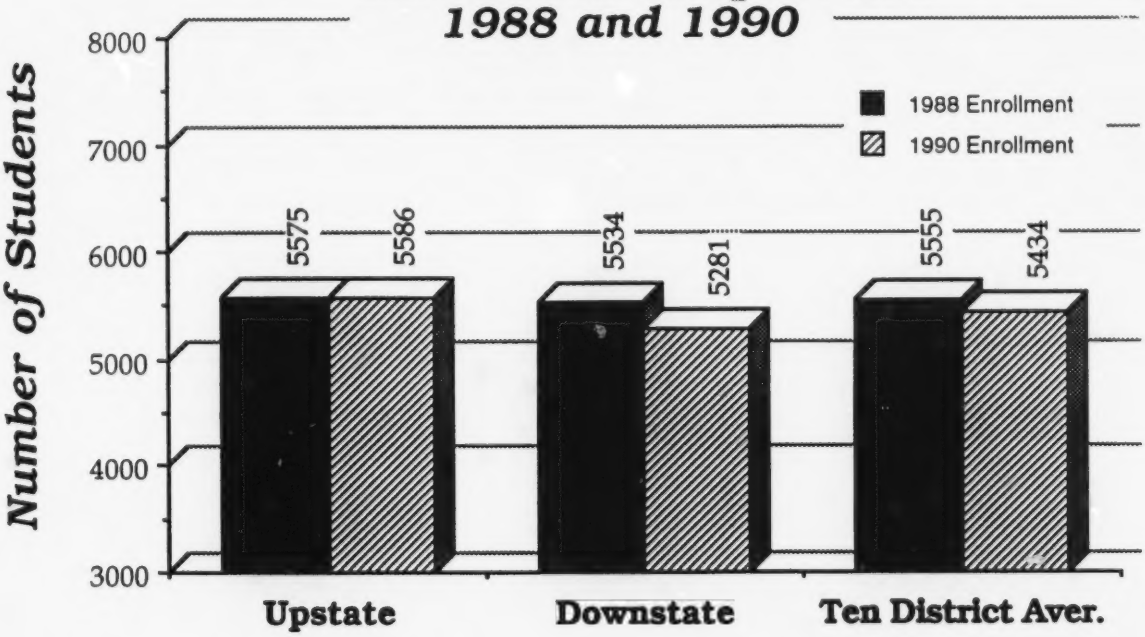
Enrollment Comparisons of Ten Districts 1988 and 1990

EXHIBIT 4



Enrollment Comparisons 1988 and 1990

EXHIBIT 5



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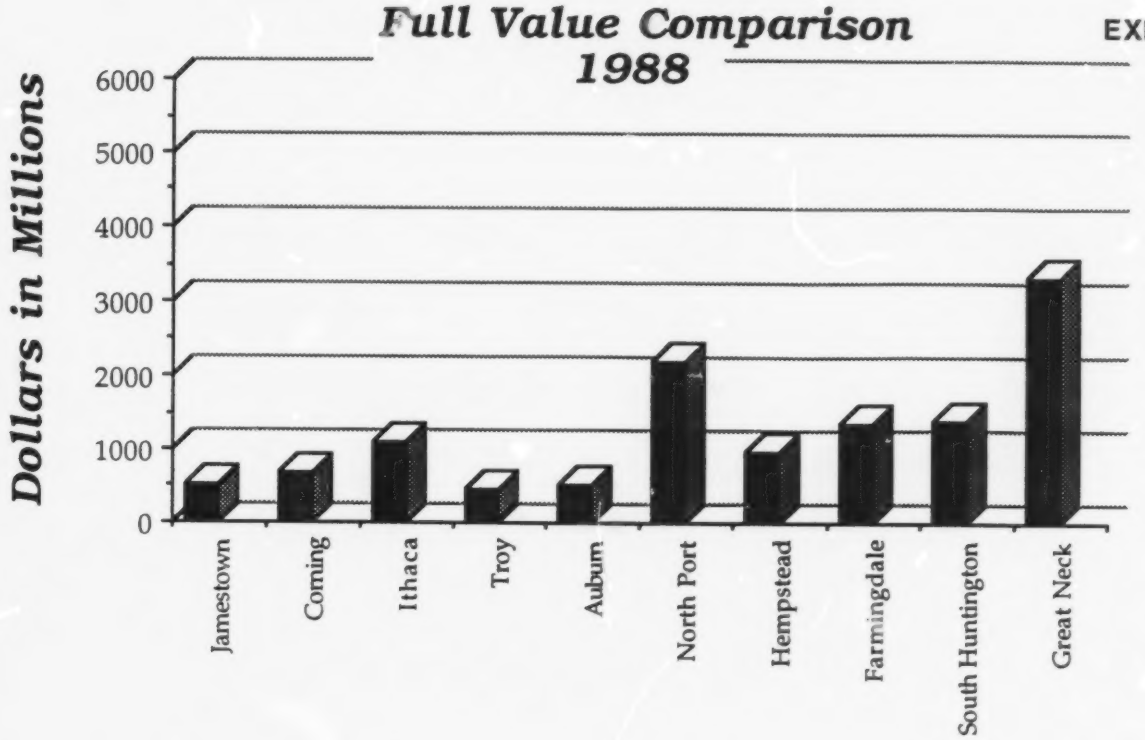
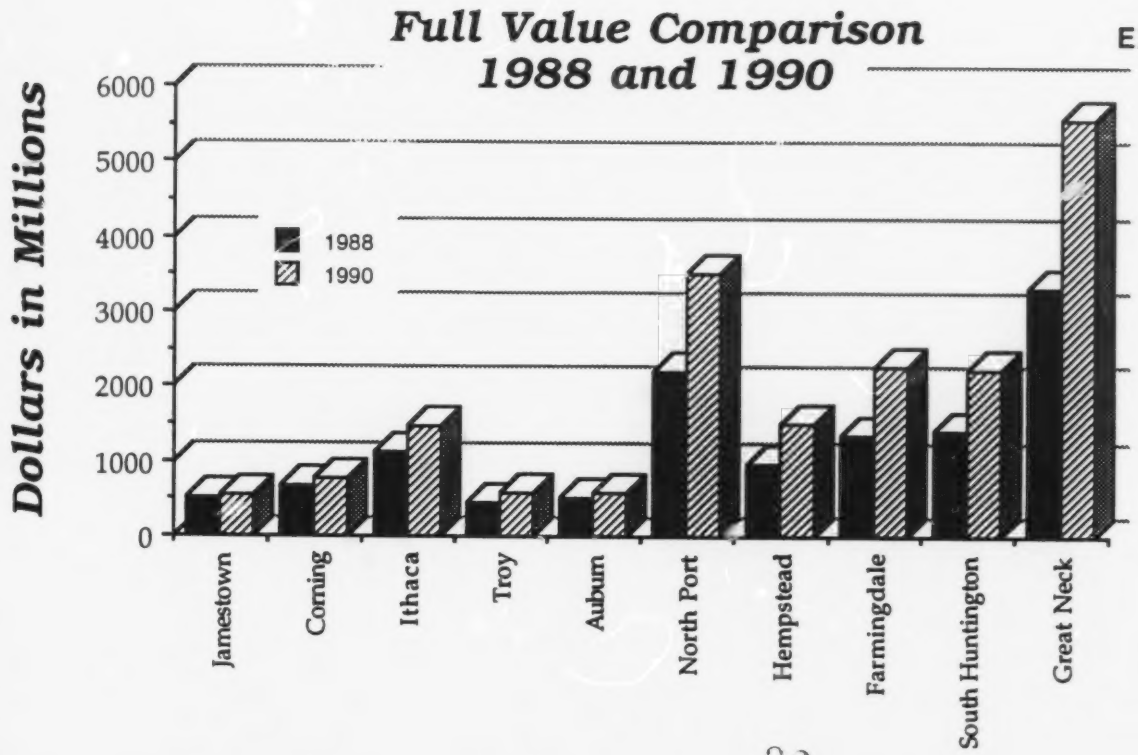
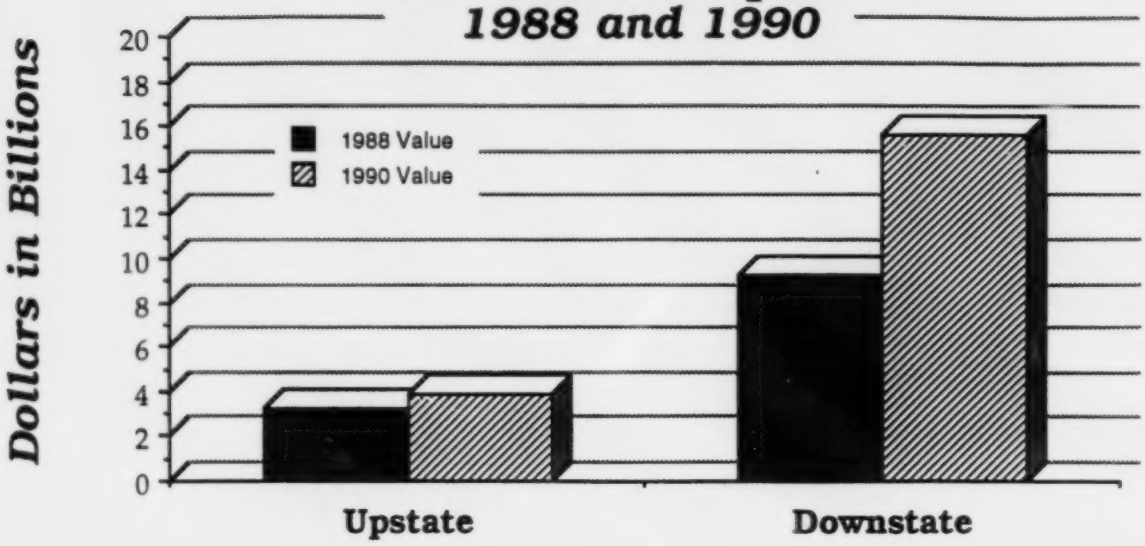


EXHIBIT 7



Full Value Comparison 1988 and 1990

EXHIBIT 8



Full Value Behind Each Student 1988 and 1990

EXHIBIT 9

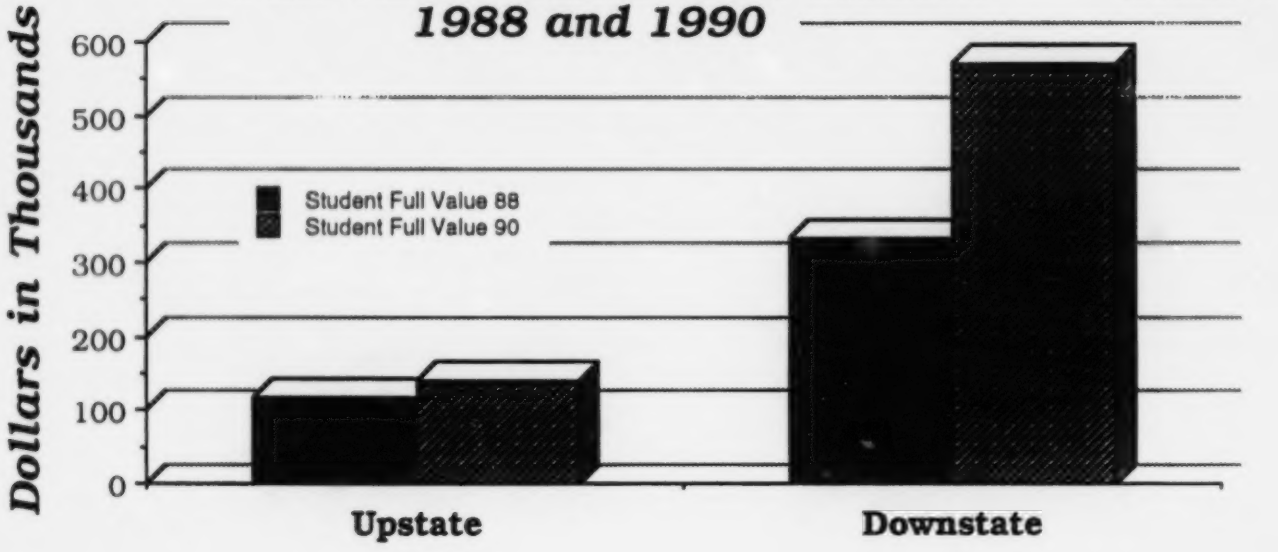


EXHIBIT 10

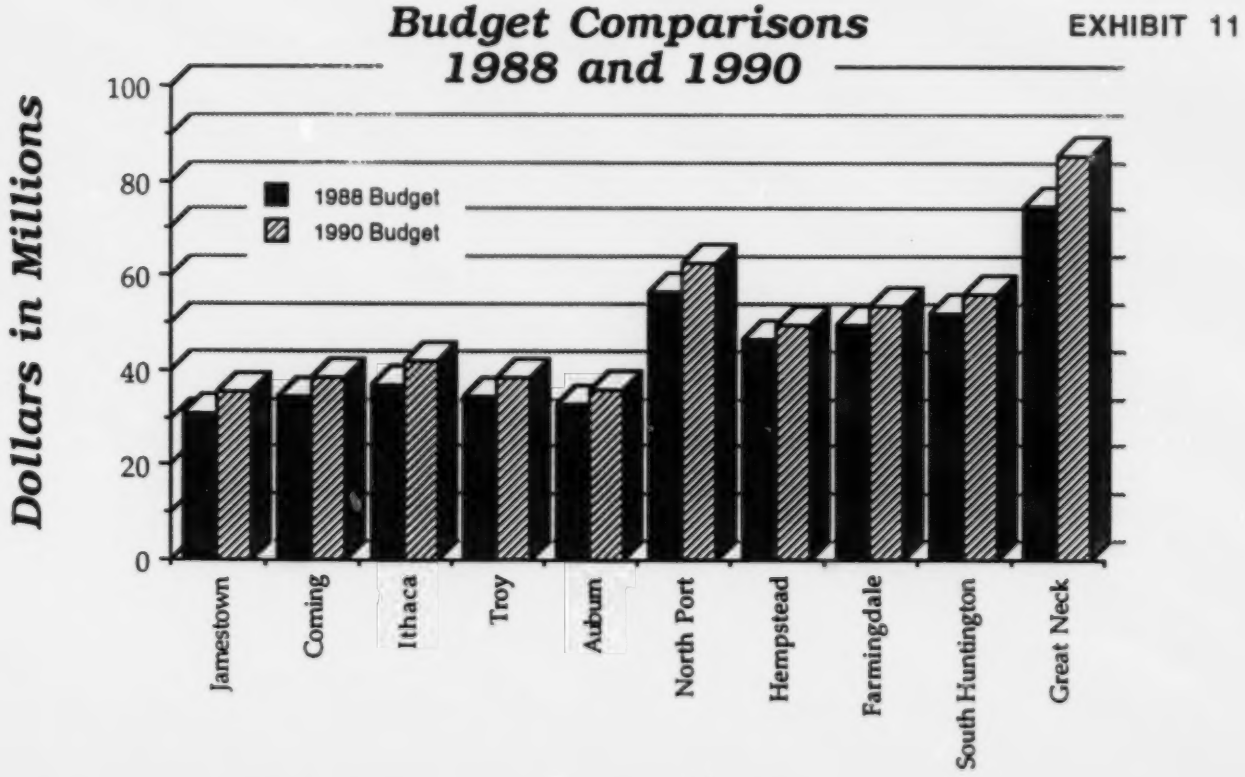
Full Value Equivalents

DISTRICT	ENROLLMENT
Auburn	5447
Cato	1241
Moravia	1304
Port Byron	1279
Southern Cayuga	1135
Union Springs	1151
Weedsport	994
Jordan-Elbridge	1862
Skaneateles	1646
Seneca Falls	1485
Waterloo	1815
Romulus	677
South Seneca	1089
Ithaca	5660
Dryden	2108
Groton	1166
Lansing	1051
Newfield	975
Trumansburg	1378
Geneva	2262
Gorham-Middlesex	1606
TOTAL	37331

= Great Neck

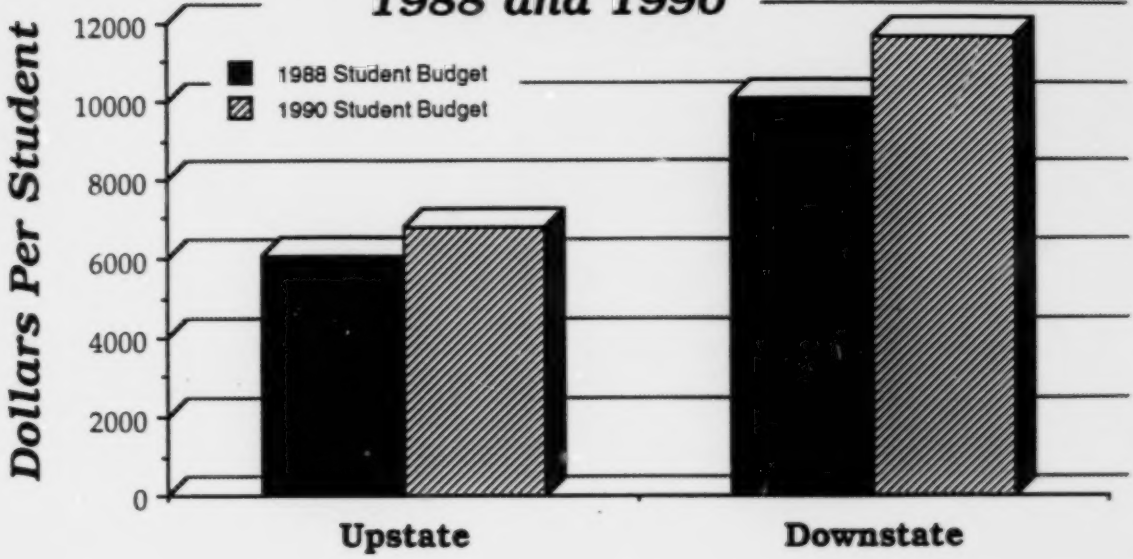
Enrollment
of
5313

EXHIBIT 11



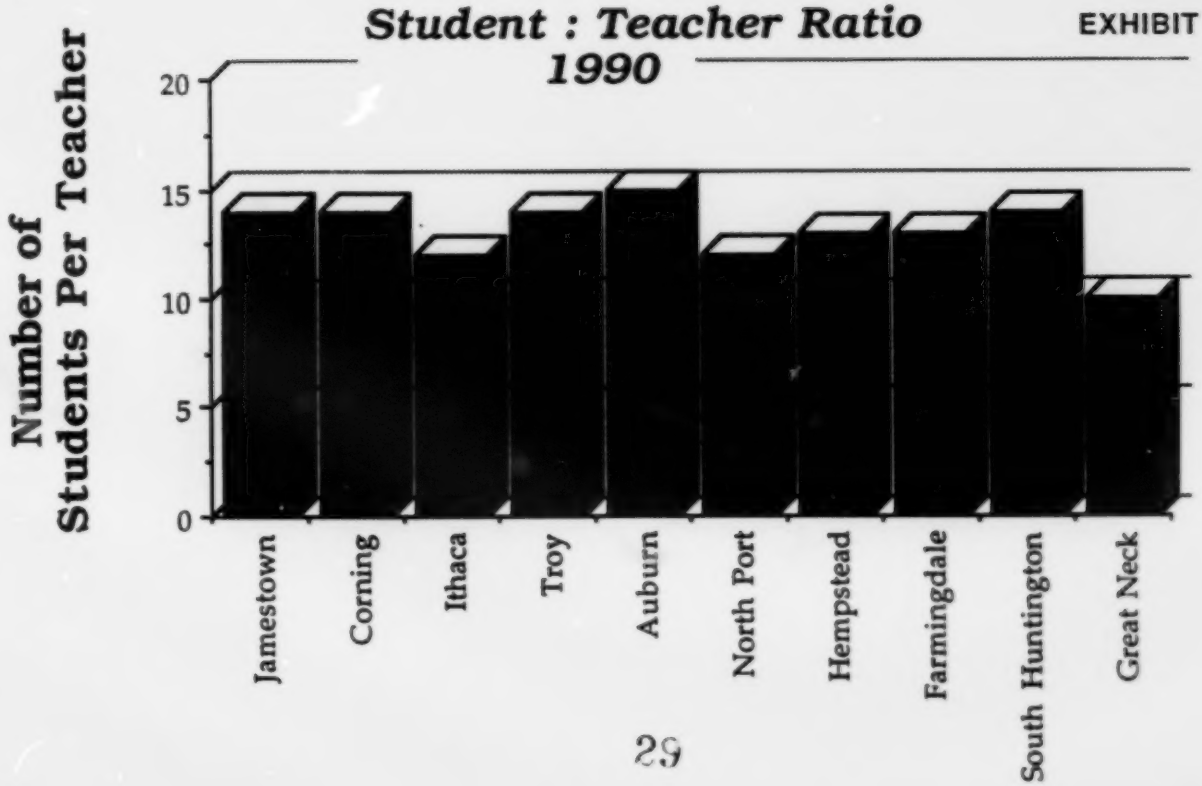
Total Budget Per Student 1988 and 1990

EXHIBIT 12



Student : Teacher Ratio 1990

EXHIBIT 13



Tax Rate Comparison 1988 and 1990

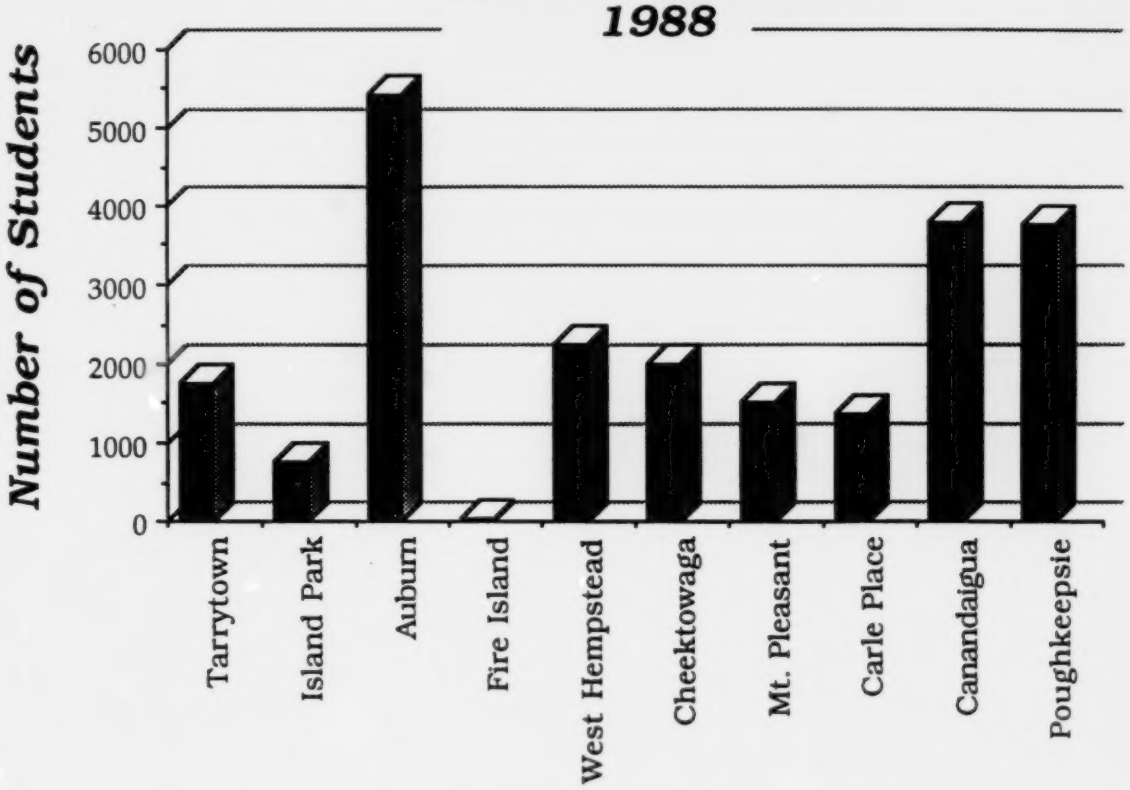
EXHIBIT 14

Full Value Comparison 1988

EXHIBIT 15

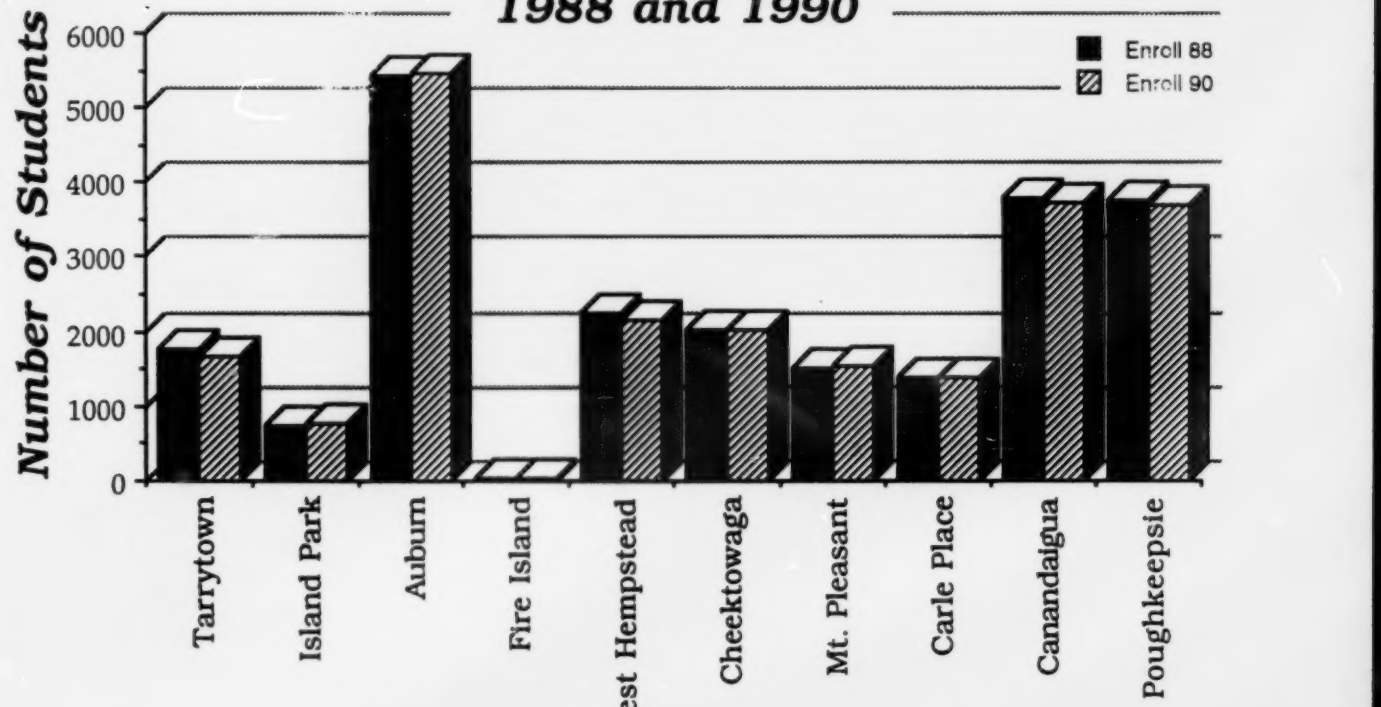
Student Enrollment 1988

EXHIBIT 16



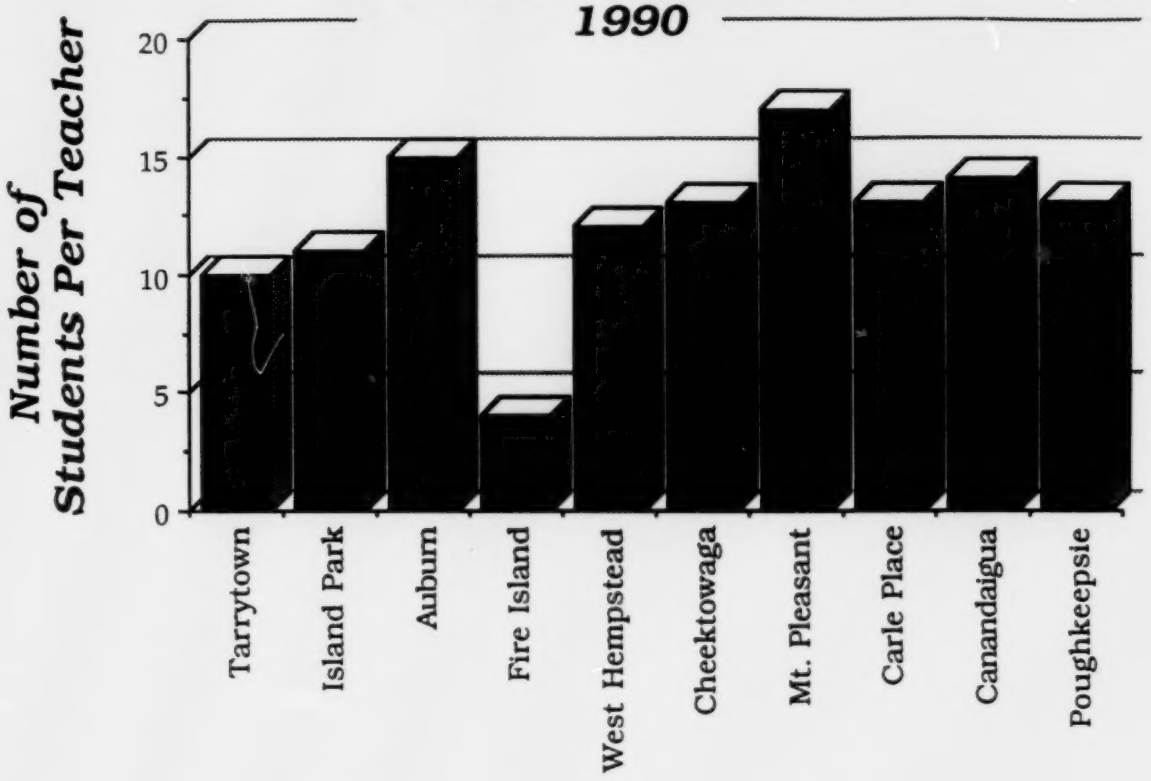
Student Enrollment 1988 and 1990

EXHIBIT 17



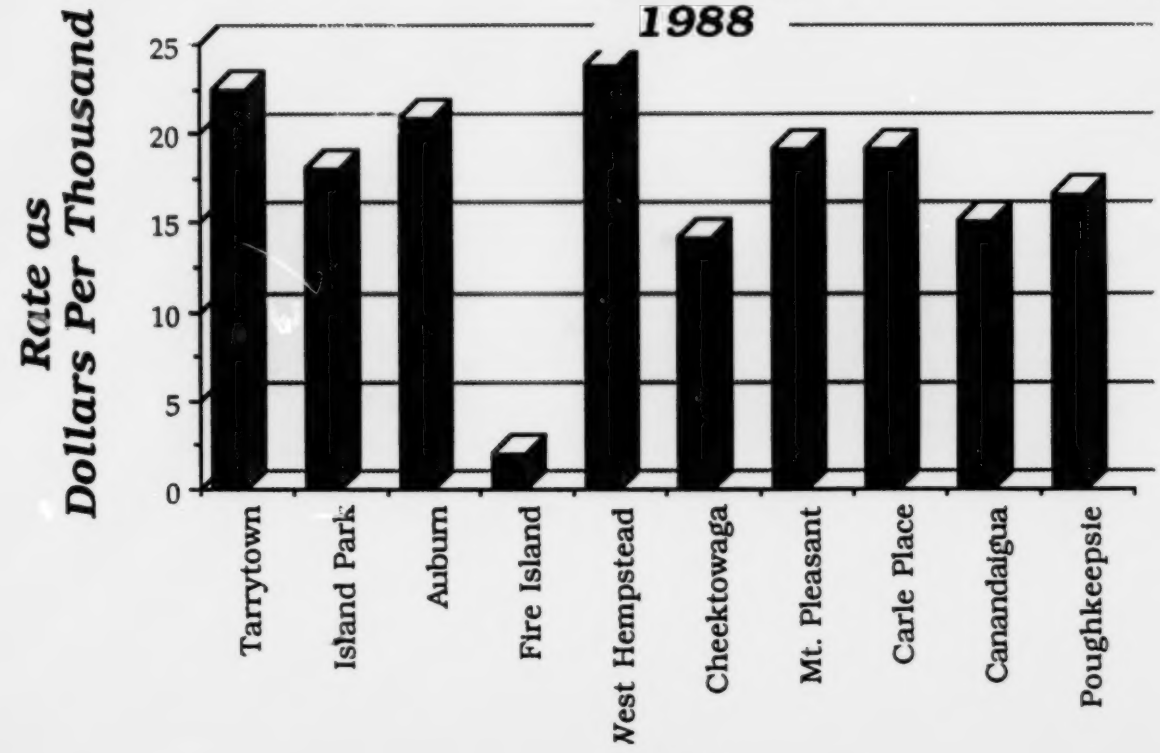
Student : Teacher Ratio
1990

EXHIBIT 18



Tax Rate
1988

EXHIBIT 19



Full Value Comparison 1988 and 1990

EXHIBIT 20

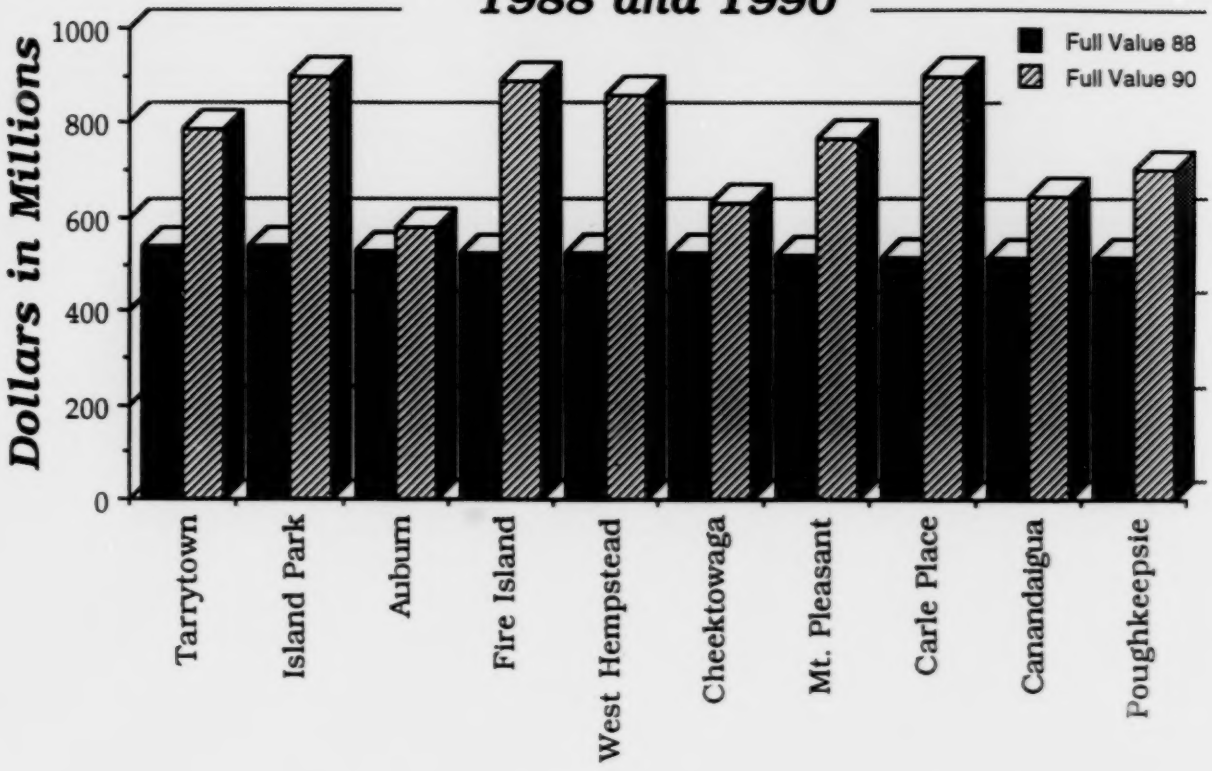


EXHIBIT 21

Full Value and Enrollment Comparisons 1990

	Full Value in Millions		Full Value in Millions
Fire Island	888.5	Auburn	577.9
		Weedsport	122.4
		Union Springs	163.3
	888.5		863.8

	Enrollment		Enrollment
Fire Island	43	Auburn	5447
		Weedsport	944
		Union Springs	1151
	43		7542

EXHIBIT 22

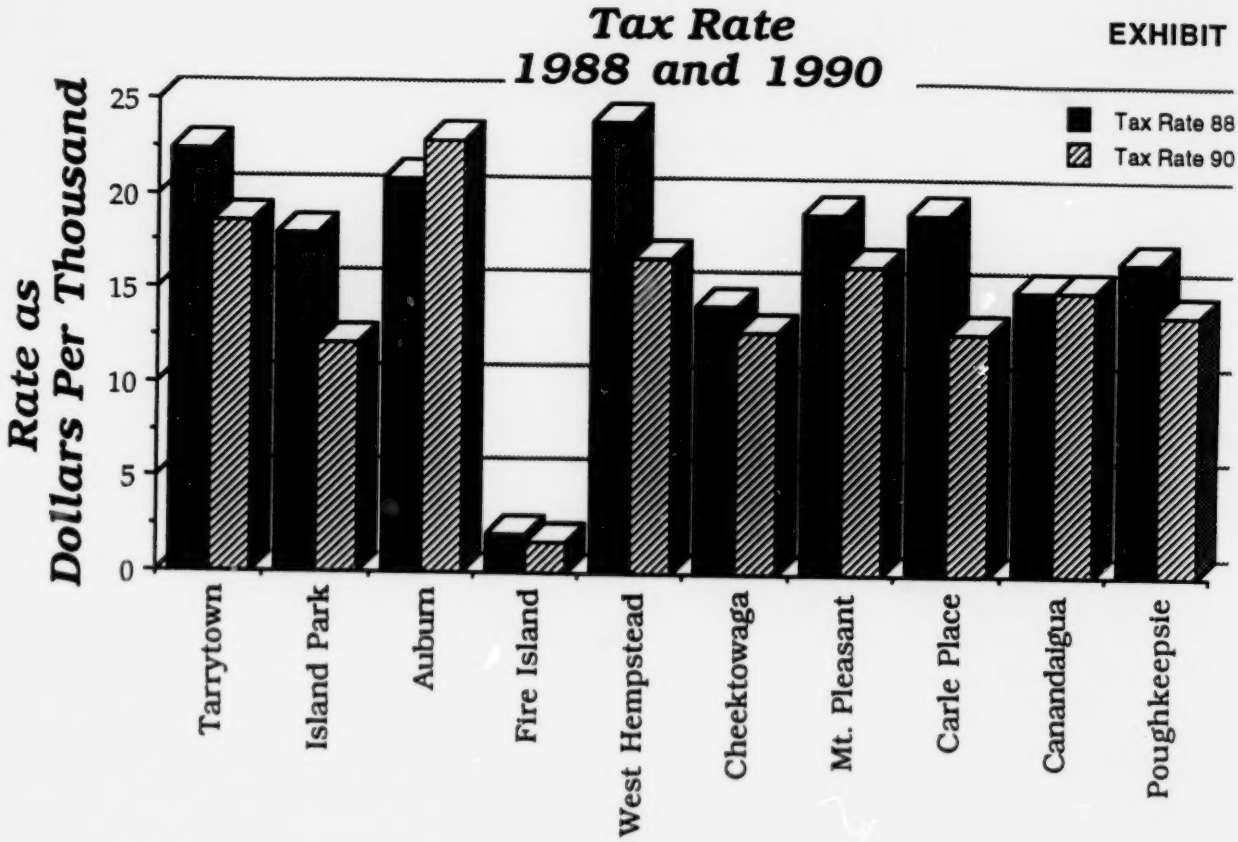
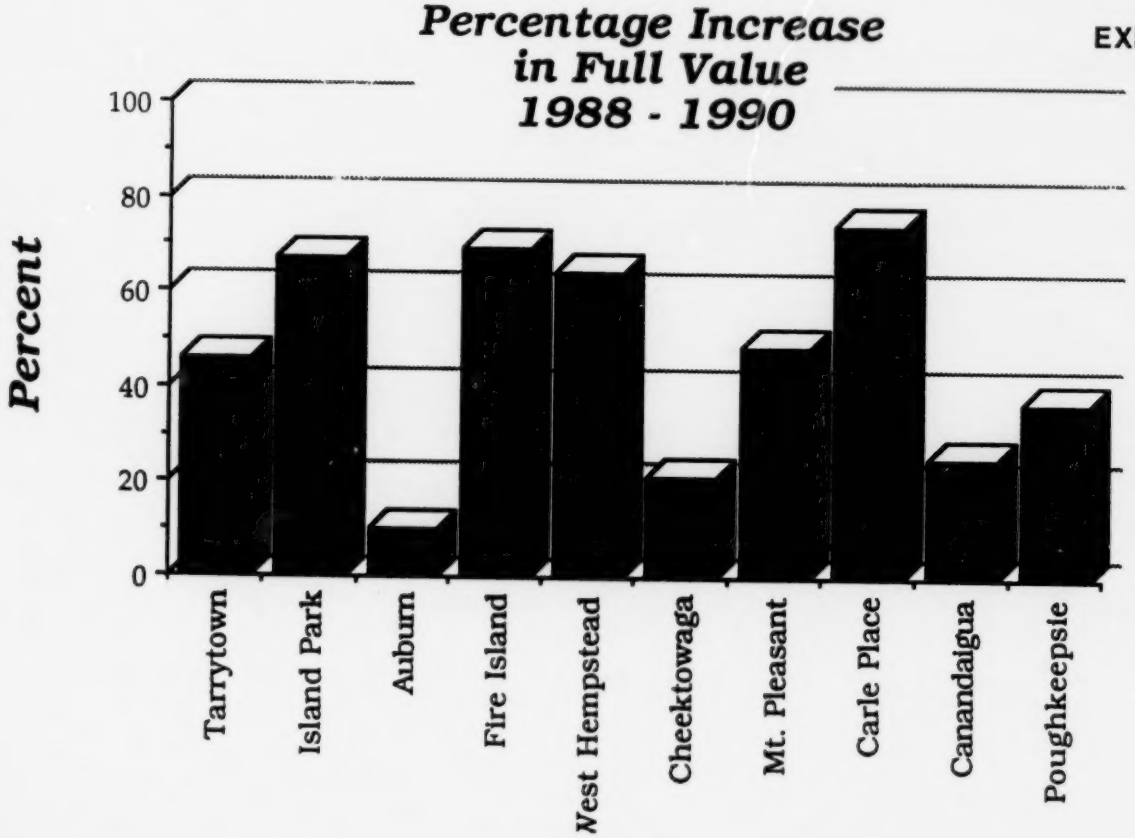


EXHIBIT 23



Tax Rate Change 1988 - 1990

EXHIBIT 24

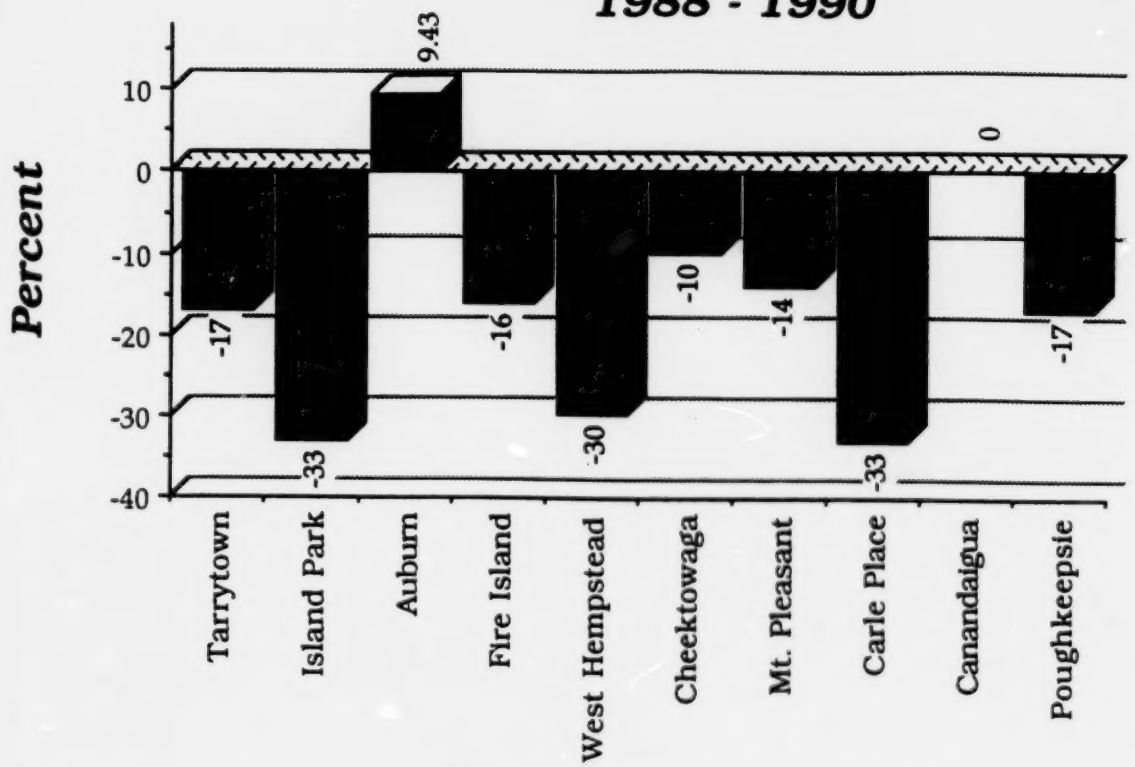


EXHIBIT 25

Causes of the Problem

- Freezing the amount paid per student at $3,761
- Capping the growth of full value at 17% of the average of the two previous years
- Making "high tax aid" save harmless
- Waiving the "minimum tax effort" law

Suggestions

EXHIBIT 26

- Start over
- Create a commission to examine the funding of education
- Reduce the number of formulas from 51 to approximately 10
- Formulas should reflect per capita income and not total income
- Radical ideas based on Texas formula:
  - + Collect $5 per thousand of full value at state level, place in an educational trust and redistribute according to formulas
  - + Collect $5 per thousand of full value at BOCES level and redistribute according to formulas